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SUBJECT: ARMENIA COMMERCIAL NEWS SUMMARY:
NOVEMBER 2005

SUMMARY

1. This cable summarizes press reporting on commercial developments in Armenia for November 2005. Major headlines include:

- Alcatel agrees to support the Armenian Enterprise Incubator Foundation;
- EBRD to expand financing program for Armenian banks;
- IMF approves USD 4.7 mln disbursement for Armenia;
- New E-Commerce systems facilitate bank transfers and investment;
- Armenia's tastiest trade fair: ARMPRODEXPO 2005;
- October 2005 Economic Data.

END SUMMARY.

ALCATEL TO SUPPORT THE ENTERPRISE INCUBATOR FOUNDATION

2. French Telecom Company Alcatel Manager Serge Tchuruk and Deputy Minister of Trade and Economic Development Tigran Davtyan signed a cooperation agreement on November 16 at the UN-sponsored World Summit on Information Technology in Tunis. Under the agreement, Alcatel will provide equipment, training materials and other forms of support to assist the Armenian Enterprise Incubator Foundation (EIF) in establishing an information technology research and development training center. EIF was founded in 2002 thanks to a grant of USD 5 million from the World Bank and provides managerial services, shared workspace, training and other support to information technology companies in Armenia. In August, Alcatel contracted with the Armenian telephone company VivaCell to deploy a new country-wide mobile network. Alcatel also supplies significant equipment to VivaCell's only competitor, Armentel.

EBRD TO EXPAND FINANCING PROGRAM FOR ARMENIAN BANKS

3. On November 14, the European Bank for Reconstruction and Development (EBRD) announced its plan to establish a Euro 40 mln (USD 46.8 mln) framework to provide financing to Armenian banks so that they can make loans to support small and medium-sized businesses, micro-finance projects, mortgages and other investments. The EBRD will assume the full commercial risk for the banks' investments under this program. This initiative builds on the EBRD's Armenia-Micro-Lending Program through which the EBRD has provided Euro 10 mln (USD 11.7 mln) to local banks to finance similar loans over the past three years. USAID has agreed to provide USD 1.5 mln in technical assistance to local banks working with EBRD under the existing and future framework agreements. To date, the EBRD has selected four local banks, Armeconom, Anelik, ACBA and Ineco, to participate in the project. According to EBRD Resident Representative Michael Weinstein, the new framework agreement should be completed by January 2006.

IMF APPROVES USD 4.7 MILLION DISBURSEMENT FOR ARMENIA

4. On November 14 the Executive Board of the International Monetary Fund (IMF) completed its first review of Armenia's economic performance under a three-year Poverty-Reduction and Growth Facility (PRGF) program. As a result of its positive assessment, the

IMF agreed to disburse approximately an additional USD 4.7 mln to the GOAM, bringing total disbursements under the program to approximately USD 9.4 mln. The total amount allotted under the PRGF program, which the IMF approved on May 25, 2005, is roughly USD 32.8 mln. According to IMF Deputy Board Director and Acting Chair Agustin Carstens, "Armenia's economy continues to perform strongly. Prudent fiscal and monetary policies, strong external inflows, and ongoing structural reforms have contributed to double-digit growth, low inflation, and declining poverty in 2005. The outlook is for continued robust growth in 2006."

E-COMMERCE SYSTEMS FACILITATE TRANSFERS, INVESTMENT

15. On November 4, the Central Bank of Armenia (CBA), the Ministry of Finance and Economy, the United Nations Development Program (UNDP) and the Armenian Card Company (ArCa) introduced two new electronic commerce systems, Card-to-Card Transfers and Online Treasury Direct. The Card-to-Card Transfer system allows ArCa debit/credit card holders to make instant on-line bank transfers to other ArCa accounts. Under the system, both sender and beneficiary will receive e-mail notification of such transactions. Treasury Direct will become operational in December 2005 and will allow investors with ArCa cards to purchase treasury bills on-line. There are 16 Armenia banks that are members of the ArCa e-payment system and approximately 90,000 ArCa card holders who will be eligible to use these new services. ArCa was established by the Central Bank in collaboration with 10 trade banks in March 2000 to develop electronic banking and payment system in Armenia. In 2003 ArCa introduced an e-payment system which allows members to pay for public utilities, mobile phone cards and Internet cards online.

ARMENIA'S TASTIEST TRADE FAIR, ARMPRODEXPO 2005

16. Sixty-four food processing companies displayed their products at the Fifth International ArmProdExpo held on November 2-5 in Yerevan. The Armenian Ministries of Agriculture and Foreign Affairs, Chamber of Trade and Industry and the Center for Agricultural and Rural Development (CARD) organized the event. CARD is an Armenian non-profit organization funded by USDA. ArmProdExpo's goal was to promote Armenian agricultural products to domestic and international consumers and provide a forum for Armenian producers to establish new business contacts. The majority of the vendors represented local enterprises, though seven joint-ventures participated (mainly Armenian-Russian, Armenian-Iranian and Armenian-French). No American companies were represented but 13 of the vendors had received support from USDA through the CARD project. Products available at the expo included alcoholic beverages (primarily cognac, wine and vodka), cheeses, dried and canned fruits and vegetables and some meat products. There were also stands dedicated to packaging, containers and labeling materials, the lack of which has been a significant obstacle to producers seeking to market goods abroad.

OCTOBER 2005 ECONOMIC DATA

17. According to press reports based on preliminary data from the National Statistical Service, Armenia's real GDP from January to October 2005 grew by 12.2 percent year-on-year to USD 3.7 billion. Industrial production totaled USD 1,153 million an increase of 6.1 percent compared to the same period last year. Gross agricultural output for the first ten months of 2005 grew by 10.4 percent compared to 2004, and reached USD 835.4 million. Construction increased by 32.6 percent to USD 676.5 million. From January to October 2005, exports were worth USD 766.4 million, and imports USD 1.39 billion, with a foreign trade deficit of USD 626.8 million.

EVANS